S/023/086

McFARLAND & HULLINGER

MINING • ORE HAULING • CONTRACTING

PHONE: TOOELE (435) 882-0103 • FAX (435) 882-6911 • SALT LAKE CITY: (801) 355-0527

P.O. BOX 238 • TOOELE UTAH 84074

September 1, 2004

Jerry Mansfield, Geologist
Bureau of Land Management
Fillmore Field Office
35 East 500 North
Fillmore, UT 84631

Re: Coyote Knolls Silver Mine

Dear Mr. Mansfield:

The information you requested in your letter of August 19, 2004, is provided as follows:

MAP INDICATING ACCESS ROUTE TO MINE

The access route is traced on the Exhibit 1 in red.

As you are aware Juab County maintains that this access road is a legitimate county road, identified as Juab County Road Number 6129910. I am aware that Juab county's assertion may not be entirely in accord with the BLM position, however, we see no problem in reclaiming any portion of this road which is ultimately deemed not to be a county road. Of course we would not complete any reclamation until completion of mining activity.

ROCK CHARACTERIZATIONIE-IS THERE A POTENTIAL FOR ACID DRAINAGE

In September of 2000, I had an assay completed by a certified Utah lab for three Coyote Knoll samples. The results are attached as Exhibit 2. I did not run any of the samples for sulfur (sulfides), as there was no indication that there were any sulfide minerals present in the ore. The silver is found in a clearly identifiable jasperoid vein. The whole rock sample was performed on footwall material, which I believe is rhyolite. This was performed because I realized there would be inevitable dilutions of the vein ore as mining begins. As you will see, the basic constituents of the rhyolite are oxides.

It is possible there are small amounts of sulfide ores in this ore body, but in any case sulfides appear to be insignificant on the surface. When we begin underground mining we will closely monitor for any sulfide minerals.

In short, I do not believe there is currently any potential for acid generation or acid drainage from sulfide ores.

RELAMATION PLANS

In our mining activity to date, topsoil has been stockpiled and we will keep it separate from any future excavation. The topsoil will be identified with appropriate signage and will be retained for future reclamation. Also, all non-topsoil overburden and waste rock will be stockpiled to be used in reclamation.

If we do not go forward with the underground, there will be sufficient material to fill most of the open pit excavation to contour the mined area to blend in with the surrounding topography. We would then revegatate the area of disturbance with BLM recommended seed mix and in the season of the year that your range people recommend. If the underground goes forward as planned, there will be sufficient material for a satisfactory reclamation, and again topsoil would be protected.

If you have any questions, please call. Also, your recommendation on early submittal of an underground mine plan is well taken and when a decision is made to proceed, an early submittal will be forthcoming. We fully anticipate there will be such an underground mine plan.

Yours very truly,

Sidney K. Hullinger
Senior Vice President

Cc: Tom Munson, UDOGM

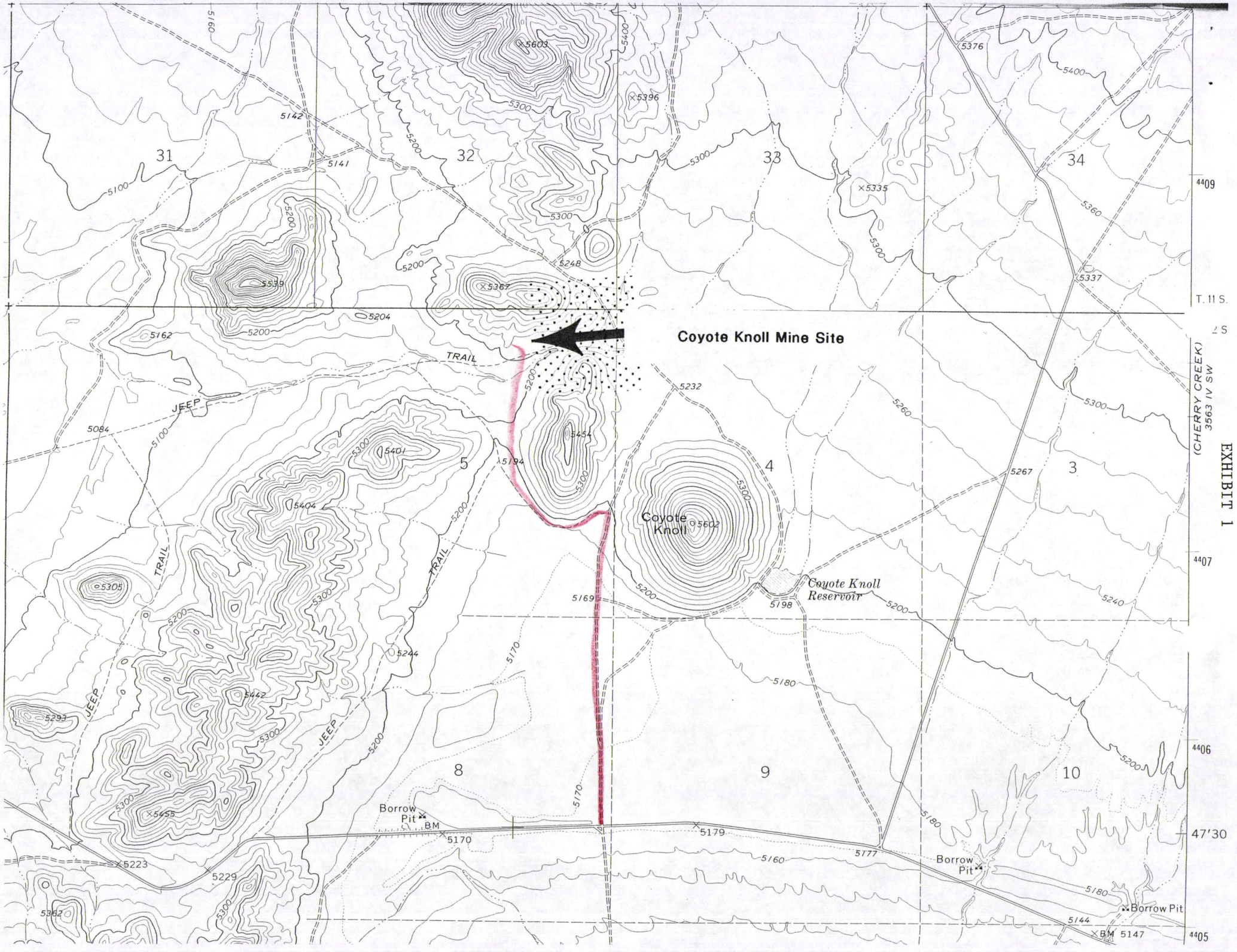
Coyote Knoll Mine Site
Coyote Knoll
Coyote Knoll Reservoir
Borrow Pit
Borrow Pit
Borrow Pit
BM 5170
BM 5147
TRAIL
JEEP
(CHERRY CREEK)
3563 IV SW
T. 11 S.
EXHIBIT 1

EXHIBIT 2

Western Analysis, Inc.
40 West Louise Avenue
South Salt Lake, Utah 84115
(801) 792-9238 • FAX (801) 809-9620

REPORT OF ANALYSIS

McFarland & Hullinger
Attn: Sid Hullinger
P.O. Box 238
Tooele, UT 84074

September 28, 2000
Project # 00-0871a

Requested: Three (3) samples for chemical analysis.

Analyte	Units	Waste Pile Lab # 79022	Trench Lab # 79028	Ore Pile Lab # 79029
Au	troy oz/ton	0.006	0.063	0.126
Ag	troy oz/ton	0.318	79.8	45.6
Cu	%	0.034	0.071	0.139
Pb	%	< 0.01	0.160	0.288
Zn	%	0.011	0.014	0.084
Fe	%	3.69	2.46	0.911
SiO_2	%	77.444	90.6	89.6
CaO	%	0.149	0.063	0.078
Al_2O_3	%	11.995	2.56	2.89

Kyle Schick, General Manager

EXHIBIT 2

Western Analysis, Inc.
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REPORT OF ANALYSIS

McFarland & Hullinger
Attn: Sid Hullinger
P.O. Box 238
Tooele, UT 84074

September 27, 2000
Project # 00-0871a

Analyte	Method	Units	Lower Detection Limit	Waste Pile Lab # 79022
Al_2O_3	ICP	%	0.005	11.995
BaO	ICP	%	0.001	0.016
CaO	ICP	%	0.005	0.149
CdO	ICP	%	0.005	< 0.005
CoO	ICP	%	0.005	< 0.005
Cr_2O_3	ICP	%	0.005	< 0.005
Fe_2O_3	ICP	%	0.005	5.299
MgO	ICP	%	0.005	0.445
MnO	ICP	%	0.001	0.005
PbO	ICP	%	0.01	< 0.01
TiO_2	ICP	%	0.005	0.047
V_2O_5	ICP	%	0.001	< 0.001
ZnO	ICP	%	0.001	0.011
Na_2O	ICP	%	0.05	0.038
K_2O	ICP	%	0.05	2.952
SiO_2	ICP	%	0.01	77.444
As_2O_3	ICP	%	0.01	0.013
SeO_2	ICP	%	0.01	< 0.01
Cu_2O	ICP	%	0.01	0.038
Total S	LECO S Analyzer	%	0.02	0.400
Loss on Ignition	furnace @ 1000°C	%	0.01	0.542
TOTAL		%		99.400

Kyle Schick, General Manager